

**R E M A R K S**

- Claims **1 – 70** are currently pending.
- Of the pending claims, only claims **1, 56 – 59, 61 – 65, and 68 – 70** are independent.
- Each of the independent claims have been amended herein.
- All claims stand rejected.

**1. Section 112 Rejections**

Claims **6, 48 and 49** stand rejected under 35 U.S.C. §112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. Specifically, the Examiner has expressed a concern that the claims recite conditional statements and thus “it is unclear to the Examiner what the scope is when the conditional statements are false”. Current Office Action (paper no. 9), page 2. Applicants respectfully traverse this rejection for the reasons set forth below.

In order to comply with 35 U.S.C. §112, second paragraph, the claim as a whole must appraise one of ordinary skill in the art of its scope and, therefore, serve the notice function of providing clear warning to others as to what constitutes infringement of the patent. See, for example, Solomon v. Kimberly-Clark Corp., 216 F.3d 1372, 1379, USPQ2d 1279, 1283 (Fed. Cir. 2000); MPEP 2173.02.

The rejected claims clearly appraise one of ordinary skill in the art as to what constitutes infringement and thus comply with §112, second

paragraph. For example, claim **6** recites that the associating step is only performed if the offer received from the first consumer is accepted. Thus, in order to infringe claim **6**, one of ordinary skill in the art would have to perform all of the steps of claims **1 and 5** and only perform the step of associating the transferable item price with the first consumer if the first consumer's offer is accepted. There is nothing ambiguous about the language of the claim or the metes and bounds thereof.

The Examiner expresses concern that the "it is unclear what the scope is when the conditional statements are false." As with all method claims, the language of the claims sets out what set of activities will constitute infringement. If the set of activities set out by the claim language is not performed, there is no infringement. It is irrelevant whether additional activities, not set out by the claim language, are performed by one of ordinary skill in the art, for purposes of determining infringement. As explained above, the relevant inquiry in an infringement analysis, and in a §112, second paragraph, analysis, is whether one of ordinary skill in the art would understand what activities constitute infringement.

There is no ambiguity in the language of any of the claims **6, 48 and 49** that would leave one of ordinary skill in the art unsure as to what activities constitute infringement. For example, returning to the example of claim **6**, it would be clear to one of ordinary skill in the art that performing the activities set out in claims **1 and 5**, where the associating step is performed only if the first consumer's offer is accepted, would constitute infringement. It is therefore clear that activities that do not fall within the bounds of the claim language, such as activities performed if the conditions set out by the claim language are false, are not infringing activities.

## 2. Section 101 Rejections

Claims **1 – 21, 23, 25 – 27, 29 – 33, 35, 36, 38 – 55, 57 – 64 and 68 – 70** stand rejected under 35 U.S.C. §101 as being directed to non-statutory subject matter. The Examiner has asserted that the claims are not in the technological arts, that “Bowman requires non-trivial recitation of technology in the body of the claim language”, and that the claims “do not recite any technology in the body of the claims. Indeed the steps of these claims can be performed by hand and do not require any technology whatsoever.” Current Office Action (paper no. 9), pages 2 – 3.

Applicants continue to maintain, from the Responses to the May 27, 2003 Office Action that the pending claims are directed to statutory subject matter because they each recite a useful, concrete and tangible result, which is the only test for statutory subject matter under current Federal Circuit precedent (see, for example, *AT & T Corp. v. Excel Communications Inc.*, 172 F.3d 1352, 1356, 50 USPQ2d 1447, 1451 (Fed. Cir. 1999); *State Street Bank v. Signature Financial Trust*, 149 F.3d 1368, 1373, 47 USPQ2d 1596, 1601 (Fed. Cir. 1998), *cert. denied*, 119 S. Ct. 851 (1999)).

However, solely to expedite allowance of the pending claims, Applicants have amended independent claims **1 – 21, 23, 25 – 27, 29 – 33, 35, 36, 38 – 55 and 57 - 64** to recite technology in the body of the claim. Specifically, Applicants have amended these claims to recite that a transferable item price, or another transferable transaction term, is associated with a consumer in a memory of a computing device.

Claims **68 – 70** are directed to a computer-readable medium and are thus article of manufacture claims that are clearly directed to statutory

subject matter. See, for example, *In re Beauregard*, 53 F.3d 1583, 35 USPQ2d 1383 (Fed. Cir. 1995), holding that a computer program embodied in a computer readable medium is patentable subject matter under §101. See also, MPEP 2106(IV)(B)(1)(a): “[A] claimed computer-readable medium encoded with a computer program is...statutory.”

### 3. Section 103 Rejections

#### 3(a). Claims 1 – 8, 10 – 17, 19 – 32, 35 – 46, 48 – 61 and 64 - 70

Claims **1 – 8, 10 – 17, 19 – 32, 35 – 46, 48 – 61 and 64 – 70** stand rejected under 35 U.S.C. §103(a) as being unpatentable to U.S. Patent No. 6,101,484 to Halbert et al (“Halbert” herein). Current Office Action (paper no. 9), page 3.

Of these rejected claims, only claims **1, 56 – 59, 61, 64, 65 and 68 – 70** are independent. Applicants have amended each of these independent claims except for claim **64**. Specifically, Applicants have amended independent claims **1, 56 – 59, 61, 65 and 68 - 70** to recite the following general feature:

- *wherein the second consumer is entitled to purchase the item in exchange for payment of the amount because the first consumer transferred an entitlement to the transferable item price to the second consumer and irrespective of whether the second consumer would otherwise be entitled to*

*purchase the item in exchange for payment of the amount*

This feature is not taught or suggested by Halbert. Although Halbert describes that participants of the system are encouraged to invite their friends to participate in the co-op (Col. 11, lines 38 and 39), whether or not a friend is eventually entitled to a price for a product that the participants of the co-op are entitled to depends solely on whether the friend did indeed join the co-op and thus qualify for the price. In the claimed embodiments of Applicants' invention, the friend would be entitled to the price that a product is eventually sold for because a participant of the co-op transferred an entitlement to the price to the friend, irrespective of whether the friend joined the co-op or would otherwise be entitled to the price.

Halbert does not teach or suggest allowing a friend of a participant of a co-op to purchase an item in exchange for a payment based on a price that the co-op participants are entitled to, (i) because a participant of the co-op transferred an entitlement to the price to the friend and (ii) irrespective of whether the friend joins the co-op in a timely fashion or would otherwise be entitled to the price. In Halbert, the **only** way that a friend of a participant of a co-op would be entitled to a price that the participants of the co-op are entitled to is if the friend joined the co-op. Accordingly, Halbert does not teach or suggest the claimed embodiments.

Applicants respectfully traverse the rejection of independent claim 64 on the grounds that Halbert does not teach or suggest all of the limitations of the claim. Specifically, Halbert does not teach or suggest the following feature of claim 64:

- *determining that the first consumer is entitled to transfer a benefit to a second consumer specified by the first consumer, wherein the benefit is based on the transferable item price*

There is no teaching or suggestion in Halbert that a participant of a co-op is entitled to *transfer* any benefit to someone else, much less a benefit based on a transferable item price.

Further, Applicants have reviewed the entirety of the Current Office Action and cannot find where the Examiner has even addressed this claim limitation. Accordingly, Applicants further respectfully traverse the §103(a) rejection of claim 64 on the grounds that a *prima facie* case of obviousness has not been established with respect to the claim.

### 3(b). Dependent Claim 9

Claim 9 stands rejected under 35 U.S.C. §103(a) as being unpatentable over Halbert in view of U.S. Patent No. 6,119,100 to Walker et al. (“Walker” herein). Current Office Action (paper no. 9), page 10).

Applicants respectfully traverse this rejection on the grounds that no proper motivation to combine Walker with Halbert has been provided and thus no *prima facie* case of obviousness has been provided with respect to the claim.

The asserted motivation to combine Halbert with Walker in the manner suggested is “to allow the merchant of Halbert to base the final price

on a price at which a third party offers to sell a similar item...to allow the merchant of Halbert to maintain its market share." Current Office Action (paper no. 9), page 10. This motivation fails for various reasons.

First, the motivation of "allowing the merchant to maintain its market share" is so broad that it would not have lead one of ordinary skill in the art to find Walker and combine it with Halbert.

Second, there is no suggestion in Halbert that it would be desirable to base any price on a price at which a third party offers a similar item. In fact, Halbert teaches against basing a price on a price at which a third party offers a similar item. Halbert teaches that third parties, who do not use the Halbert system for pricing items, have prices that are undesirably mere estimates of anticipated product demand and presumed price sensitivity. Col. 2, lines 9 – 24. Further, basing a price in Halbert on a price at which a third party offers an item would contravene the purpose of Halbert, which is to allow buyers to obtain superior prices unavailable through any third party by allowing the buyers to leverage their pooled purchasing power. Col. 1, lines 18 – 54.

Finally, the asserted motivation to combine is not a finding of fact (e.g., of a teaching in a reference or of knowledge of one of ordinary skill in the art) in the record, as is required, but is rather a mere conclusory statement of an alleged desirable result that may be achieved by the suggested combination. As such, it is insufficient to serve as a motivation to combine.

Further, claim 9 includes the limitation of claim 1, discussed in Section 3(a) above. Walker, like Halbert, does not teach or suggest the

claim limitation discussed in Section 3(a). Claim 9 is thus patentable at least for the same reasons as claim 1.

3(c). Dependent Claims 33 and 34

Claims 33 and 34 stand rejected under 35 U.S.C. §103(a) as being unpatentable over Halbert in view of Official Notice. Official Notice has been taken “that it is well known in the art to use encryption in electronic commerce.” Current Office Action (paper no. 9), page 10.

First, Applicants respectfully submit that claims 33 and 34 are patentable at least for the same reasons as claim 1, as discussed in Section 3(a) above.

Further, Applicants respectfully traverse this rejection of claims 33 and 34 on the grounds that no proper motivation to combine has been provided and thus no *prima facie* case of obviousness has been established for these claims.

The asserted motivation to combine Halbert with the Official Notice in the manner suggested is “in order to properly secure the final discount price in Halbert.” Current Office Action (paper no. 9), page 10). However, there is no reason or need to secure the discount price in Halbert and thus no reason to combine the Official Notice with Halbert. In Halbert the price is available to any participant who joins the co-op and not available to anyone who does not join the co-op. The system is configured to determine whether or not a consumer is a member of the co-op. Accordingly, there is no need to encrypt the price. Further, the asserted motivation is nothing more than a

conclusory statement of an allegedly desirable result that may be achieved via the suggested combination, with no findings of fact in the record as is required.

### 3(d). Independent Claims 62 and 63

Claims **62 and 63** stand rejected under 35 U.S.C. §103(a) as being unpatentable over Halbert in view of U.S. Patent No. 6,336,100 to Yamada (“Yamada” herein). Current Office Action (paper no. 9), pages 10 – 11. Applicants respectfully traverse this rejection because the references do not teach or suggest all claim limitations, as acknowledged by the Examiner, and no proper motivation to modify the references has been provided.

Claims **62 and 63** each recite associating a price established between a first consumer and a first merchant and then allowing a consumer to purchase an item for the price from a second merchant. The Examiner acknowledges that “Halbert and Yamada do not explicitly disclose that the item is purchased from the second merchant.” Current Office Action (paper no. 9), page 11. However, the Examiner proceeds to assert that it would have been obvious to modify the combination of Halbert and Yamada to include a second merchant from which an item is purchased, the second merchant being different from a merchant with which a price for the item is established. The Examiner provides the following assertion regarding why it would have been obvious to do so:

“The Applicants have not disclosed that purchasing the item from a second merchant provides an advantage, is used for a particular purpose or solves a stated problem. Furthermore, one of ordinary skill in the art would have expected the Applicants’ invention to perform equally well with the first or second customer purchasing the item from the first merchant because ultimately payment must be provided to a merchant. Therefore, it would have been obvious to one of ordinary skill in the art to modify Halbert and Yamada to obtain the invention as specified in the claims.” Current Office Action (paper no. 9), page 11.

This proposed motivation to modify the combination of Halbert and Yamada fails for various reasons, as discussed below.

First, whether or not an advantage, purpose or solution for a particular purpose is *disclosed* by Applicants is irrelevant to a §103 obviousness determination. The process for determining whether a claim is obvious in light of one or more references involves findings of fact as to (i) the scope and content of the prior art, (ii) the differences between the subject matter claimed and the prior art, (iii) the level of ordinary skill in the art, and (iv) other objective indicia of non-obviousness. *Graham v. John Deere Co.*, 383 U.S. 1, 17 – 18, 148 USPQ 459, 467 (1966). Whether or not an advantage is *disclosed* by Applicants is not a part of an obviousness determination.

Further, the claimed embodiments do in fact confer an advantage not taught or suggested by any of the references of record. This advantage is to

effectively turn a price established between a first consumer and a first merchant into a commodity that can be applied by either the first consumer or a second consumer at a second merchant. Thus, the first consumer (and, in some embodiments, a second consumer) need not go through the process of again establishing the price with the second merchant but may simply utilize the price at the second merchant after it has been established between the first consumer and the first merchant. None of the references teach or suggest such an advantage.

Second, while an expectation of success is a factor in determining whether references may be properly combined, it is a factor that cannot be considered before the factual findings required by *Graham* are established. For example, if the differences between the references and the claimed invention are sufficiently great to render the claimed subject matter unobvious, it does not matter that the references could have been successfully combined. Further, as is argued in detail below, there would be no expectation of success for the proposed modification.

Third, the Examiner's assertion essentially appears to be that it would have been obvious to modify the references because the references allegedly can be so modified. This is improper because it is well established that the mere fact that references can be combined or modified does not render the resultant combination obvious unless the prior art also suggests the desirability of the proposed combination or modification. In re Mills, 916 F. 2d 680, 16 USPQ2d 1430 (Fed. Cir. 1990); MPEP 2143.01.

Fourth, the motivation fails because there would be no reasonable expectation of success for the proposed modification. The price established

with a merchant in Halbert is based on “group buying power”. That is, a merchant determines an ability and willingness to sell an item for a particular price based on the guaranteed demand for the product from a group of customers. For example, the merchant is guaranteed that if the price is lowered from \$X to \$Y, an additional Z units of the product will be sold. Accordingly, the merchant may calculate that it would still be profitable or otherwise beneficial to so lower the price in exchange for the additional units being sold. See, for example, col. 3, lines 4 – 43. However, it probably would not be profitable or beneficial to the merchant, or a second merchant, to lower the price to \$Y for only a single unit of the product or without the guarantee that an additional Z units will be sold as a result. Accordingly, a second merchant that did not have the guarantee of selling an additional Z units of the product would most likely not be willing to sell the product for the lower \$Y price. Thus, a customer who, as part of a buying co-op, established with the first merchant a price of \$Y can have no realistic expectation of going to a second merchant and also obtaining the product for \$Y since the second merchant will not have the benefit of a guaranteed sale of an additional Z units of product, and / or other considerations of the first merchant, to make the sale of the product for \$Y worthwhile. Accordingly, there would be no reasonable expectation of success of combining the Yamada feature of obtaining the product from a second merchant into the Halbert system.

Fifth, Applicants are unsure what the relevance is of Examiner’s assertion that “one of ordinary skill in the art would have expected the Applicants’ invention to perform equally well with the first or second customer purchasing the item from the first merchant because ultimately

payment must be provided to a merchant.” How one of ordinary skill in the art would have expected Applicants’ invention to perform is irrelevant to a determination of obviousness. A determination of obviousness involves determining whether, before ever reading Applicants’ disclosure, one of ordinary skill in the art would have been motivated to combine or modify the references as suggested and whether the combination or modification would have rendered Applicants’ invention obvious. It does not involve determining whether one of ordinary skill in the art would have expected Applicants’ invention to perform in a certain manner.

Further, neither Halbert nor Yamada describes or enables purchasing an item from any merchant other than the merchant with which a price for the item is established. There is absolutely no finding in the record that the feature of purchasing an item from a merchant other than the merchant with which a price for the item is established was known in the prior art. Accordingly, a combination of every finding in the record would not result in the claimed embodiments. Thus, not only is there no motivation to modify the references as suggested, there is no finding in the record that a feature of Applicants’ invention was even known before Applicants’ invention.

Further still, the Examiner has not provided a proper motivation to combine Halbert and Yamada even before the proposed modification of the combination. The Examiner has merely stated that one of ordinary skill would have been motivated to combine Yamada with Halbert “to allow the first or second customer the convenience of obtaining the ordered product whenever so desired, as taught by Yamada.” Current Office Action (paper no. 9), page 11. This is a conclusion about a desired result that may be

obtained from the combination. It is completely unsupported by factual findings as to what teaching in the references or knowledge in the art would have motivated one of ordinary skill in the art to make the combination in the first place. Accordingly, no proper motivation to combine the references has been provided and no *prima facie* case of obviousness established. Further, as argued in detail above, even if Halbert and Yamada were properly combined, the combination would still not teach or suggest all limitations of either claim 62 or claim 63.

### 3(d). Dependent Claims 18 and 47

Claims 18 and 47 stand rejected under 35 U.S.C. §103(a) as being unpatentable over Halbert in view of U.S. Patent No. 6,269,343 to Pallakoff (“Pallakoff” herein).

First, Applicants respectfully submit that claims 18 and 47 are each patentable at least for the same reasons as claim 1 (discussed in Section 3(a) above), from which they are dependent.

Second, Applicants respectfully traverse this rejection of claims 18 and 47 on the grounds that no proper motivation to combine the references has been asserted, and thus no *prima facie* case of obviousness has been established.

The following reason has been provided for why one of ordinary skill in the art would have been motivated to combine Halbert and Pallakoff such that the combination results in the claimed embodiments:

“One of ordinary skill in the art would have been motivated [to make the proposed combination] in order to allow the system operator to make money.” Current Office Action (paper no. 9), page 12.

This assertion is nothing more than an assertion that a desirable result would occur from the proposed combination, and is thus improper. No finding of fact has been provided regarding why one of ordinary skill in the art would have been motivated to make the proposed combination without first having read Applicants’ disclosure. The assertion amounts to nothing more than a use of Applicants’ disclosure as a blueprint for the proposed combination.

### **Conclusion**

For the foregoing reasons it is submitted that all of the claims are now in condition for allowance and the Examiner's early re-examination and reconsideration are respectfully requested.

Alternatively, if there remains any question regarding the present application or any of the cited references, or if the Examiner has any further suggestions for expediting allowance of the present application, the Examiner is cordially requested to contact Magdalena M. Fincham at telephone number (203) 461 - 7041 or via electronic mail at [mfincham@walkerdigital.com](mailto:mfincham@walkerdigital.com).